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ABSTRACT

This report contains the New York State regents' proposal for improving state aid to elementary and secondary schools for 1979. The regents' program is designed to meet inflationary pressures on school districts, offer greater equalization, provide a modest amount of property tax relief, eliminate inequities in several aid areas, and reduce paper work requirements. The program would provide improvements in the current formulas without prejudicing the work of the task force on equalizing educational opportunity. The task force was formed by the regents and the governor to study alternatives in the event the state supreme court upholds a decision calling for major revision of the state system for financing public education. (Author/LD)

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THE REGENTS PROPOSAL

for

IMPROVING STATE AID

to

PUBLIC EDUCATION

in

NEW YORK STATE

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The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Albany, New York 12234

December 1978

EA 011 384

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FOREWORD

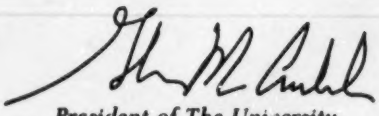
The New York State system for financing elementary and secondary education is under challenge. Should the decision of the State Supreme Court be upheld through the appellate process, a major revision of the provisions for State aid would be necessary. To prepare for such a need the Regents and Governor Hugh L. Carey have designated a Task Force on Equalizing Educational Opportunity to develop recommendations for the Legislature and the Governor.

While the appellate process continues, the problem of need for the coming year must be faced. The Legislature must adopt a budget by March 31 for the State fiscal year. Adjustments in aid to the schools are essential at this legislative session.

For 1979, the Regents propose a program which is designed to meet inflationary pressures on school districts, provide greater equalization, provide a modest amount of property tax relief, eliminate inequities in several aid areas and reduce paperwork requirements.*

The program would provide important improvements in the current formulas without prejudicing the work of the Task Force. It would provide a step toward the further reform needed. The proposal is within the State's economic ability to support.

I join with the Regents in urging thoughtful consideration of these recommendations.



President of The University
and Commissioner of Education

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* The Regents proposal for State Aid to The Public Schools was approved at the November 1978 Board Meeting by a vote of eight to five. Voting for the proposal: Chancellor Black, Regents Newcomb, Batista, Yavner, Chodos, Barell, Matteoni and Carballada. Voting againsnt the proposal: Vice Chancellor Genrich, Regents Clark, Griffith, Bongiorno and Reed-Delaney. Absent: Regents Kendall and Meyer.

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THE CONTINUING NEED FOR REFORMING STATE AID TO PUBLIC EDUCATION

Reform of financing public elementary and secondary education in New York State is needed for these reasons:

1. The Supreme Court decision in the Levittown case was handed down in June, 1978. In that decision the 1974 system of financing education is considered unconstitutional.
2. Decisions by the New York State Court of Appeals in the Geneva-Lackawanna-Rochester case with respect to tax exclusions for tax-limit cities have created severe problems for educational finance in those cities.
3. Continuing inflation poses tremendous problems in yearly update and current State aid formula provisions.
4. Declining pupil enrollments offer a difficult challenge of adjustments of staffing and programs.
5. The need for property tax reform and reduction is strong.

These proposals adopted by the Regents for the school year 1979–80 and presented in this booklet focus on action to be taken at the 1979 State Legislative Session. They form an interim proposal on which further reform now being considered by the Regents'/ Governor's Task Force on Equalizing Educational Opportunity can be built. This brochure presents a summary of the proposals and the reasoning to support them.

Differences in School District Wealth

In New York State, wealth for the purpose of calculating State aid is measured in terms of true property valuations per pupil. There

THE WEALTH GAP (1978–79)

- If the State of New York had been organized as a single district, there would have been $59,000 full property valuation behind each child.
- There are 113 districts with less wealth than $30,000 per pupil.
- There are 94 districts with more wealth than $90,000 per pupil.

THE WEALTH GAP (cont.)

Wealth (Valuation per Pupil)	Number of Districts	Percent of Total
Lowest–$ 30,000	113	16
30,000– 45,000	250	35
45,000– 60,000	131	18
60,000– 75,000	73	10
75,000– 90,000	50	7
90,000 *and Over*	94	13

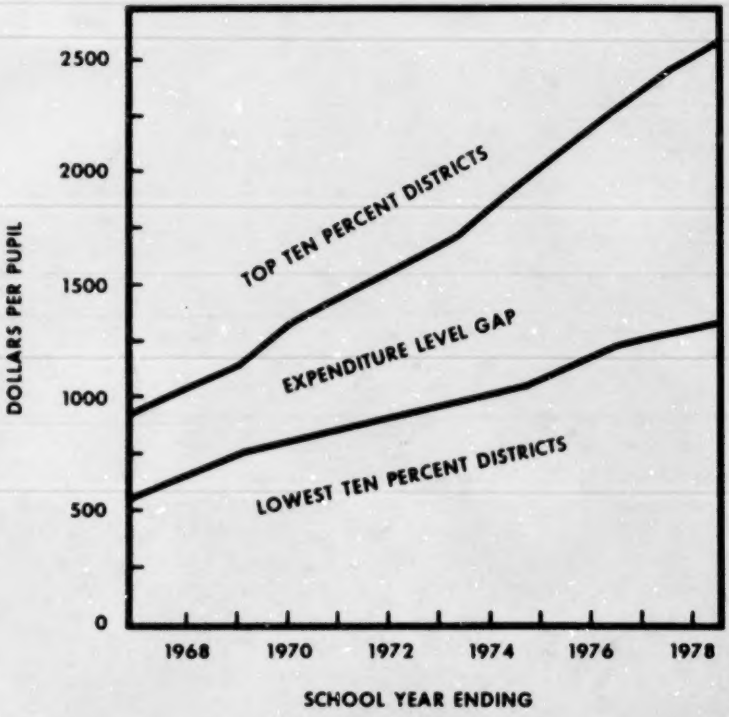
EFFECTS OF WEALTH DIFFERENCES (1978–79)

- Some school districts in New York State taxed themselves six times greater than others to support public education.
- One percent of the school districts in New York State taxed themselves less than $10 per $1,000 of full property values.
- Five percent of the school districts in New York State taxed themselves more than $30 per $1,000 of full property values.
- Districts with less than $30,000 per pupil in wealth spent $1,380 per pupil.
- Districts with more than $90,000 per pupil in wealth spent $2,580 per pupil — $1,200 per pupil more.
- The poorer districts have 54.9 professional staff per 1,000 pupils compared to 69.8 for the wealthy districts.

Wealth Category (Full Valuation Per Pupil)	Number of School Districts	Spending Per Pupil	Professional Staff Members Per 1,000 pupils
Lowest—$30,000	113	$1,380	54.9
30,000–45,000	250	1,500	56.7
45,000–60,000	131	1,670	58.2
60,000–75,000	73	1,920	60.7
75,000–90,000	50	2,280	63.1
Over 90,000	94	2,580	69.8

EXPENDITURE LEVEL GAP

- In 1966–67, 10 percent of the school districts spent less than $609 per pupil whereas 10 percent spent more than $959 per pupil — a 57 percent gap.
- In 1977–78, 10 percent of the school districts spent less than $1,305 per pupil whereas 10 percent spent more than $2,554 per pupil — a 96 percent gap.
- The 90th percentile has increased by 166 percent.
- The 10th percentile has increased by 114 percent.



are over 700 school districts, and they vary greatly in wealth. In 1978–79, the poorest school district has taxable valuation of $11,319 per pupil and the wealthiest has $595,006—a wealth variation of 53 to one. The wealth gap in New York State has existed for a long time. The effects of wealth differences in New York State's school districts are manifested in large variations in spending per pupil, unequal tax burdens for taxpayers, and inequalities of educational opportunities. These effects represent the need for State fiscal reform.

THE GAP IN PROFESSIONAL STAFF (1978–79)

- The 10 percent of districts with the lowest expenditures had 48.7 elementary classroom teachers per 1,000 pupils compared to 62.8 for the highest 10 percent.
- The 10 percent of districts with the lowest expenditures had 55.6 secondary classroom teachers per 1,000 pupils compared to 70.5 for the highest 10 percent.
- In the 10 percent of districts with the lowest expenditures, 24 percent of all teachers had master's degrees compared to 39 percent in the highest 10 percent.

Wealth differences have created variations in school district spending. These variations are referred to as the expenditure level gap. This gap has existed for some time, but it has increased markedly in the past decade. It is a result not only of variations in school district wealth, but also of how the State has distributed monies to local districts and of the percent of State support.

Variations in wealth have not only resulted in differences in spending per pupil and tax burdens, but also in professional staffing ratios. The heart of an excellent instructional program is the number, training, and experience of the teachers. The Regents are concerned about staffing variations in public schools because of the effects upon equality of educational opportunities.

State aid to public elementary and secondary schools has declined over the years as a percentage of total operating expenditures, although there is an estimated increase in the 1978–79 year. The result is to place upon the local taxpayers a greater burden to support education. For example, in a district which has $20,000 full property valuation per pupil, a one mill property tax would raise $20 per pupil. But in a district which has $200,000 full property valuation per pupil, the one mill tax would raise $200 per pupil—10 times as much. The Regents are very much concerned about greater equity and fairness to the taxpayers of New York.

STATE AID AS A PERCENT OF TOTAL EXPENDITURES FOR PUBLIC EDUCATION

- State aid as a percent of total expenditures for public education has declined from 48.1 percent in 1968–69 to 40.0 percent in 1978–79.

Year	Percent	Year	Percent
1968–69	48.1	1973–74	38.2
1969–70	45.0	1974–75	39.5
1970–71	44.3	1975–76	40.3
1971–72	42.6	1976–77	39.1
1972–73	40.9	1977–78	38.4
		1978–79	40.0

THE REGENTS GOALS FOR STATE AID TO PUBLIC EDUCATION

These Regents recommendations for State aid reform to the 1979 Legislature are aimed at important goals.

REGENTS GOALS FOR STATE AID

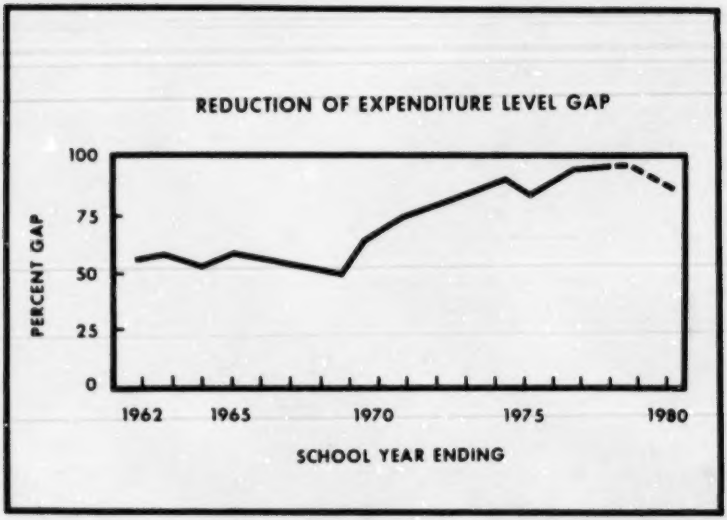
- Equality of Educational Opportunity
- Keeping Costs Within the State's Ability To Support Them
- Elimination of Present Formula Inequities
- Simplification and Reduction of Paperwork
- Establishment of Standards of Program and Performance

The Regents proposals in many instances overlap several of the goals.

Goal: Equality of Educational Opportunity

As shown earlier the gap between low and high expenditure districts continues to increase. Several of the Regents proposals will serve to reduce this gap. If they are enacted into law, the first reduction in the gap in several years would result.

The Regents proposals do this by increasing aid more to the lower wealth, lower expenditure districts than to the high wealth high expenditure districts. They call for a four year phase out of flat grant aids which go only to high wealth districts. They put a cap on spending which restricts increases in expenditure more severely in the high wealth than in low wealth districts. For the first time since 1962 transportation aid is proposed to be distributed on an equalized basis.



Goal: Keeping Costs Within the State's Ability To Support Them

The proposals call for increases in operating aid but decreases from present formula provisions in transportation, building and BOCES aids.

While the cost of the program reaches $246 million in the school year, all of the funds will either offset increases in local property tax rates or result in required reductions in those rates. The overall aid increases are within the increases in cost due to inflation.

CONCERN FOR ECONOMIC PROBLEMS

- Limitations on expenditure increases
- Property tax relief

Goal: Elimination of Present Formula Inequities

The current formulas contain a number of provisions which treat some districts more favorably than others. The long term goal is equal treatment for equal need while at the same time ensuring that changes are made gradually enough to avoid undue economic hardship.

The proposals include these changes:

1. Adoption of a strongly equalizing formula;
2. Phasing out the flat grant and save harmless provisions which offer tax advantages to some districts;
3. Adoption of an equalizing formula for transportation aid;
4. Adoption of parity between contract and district-owned transportation provisions;
5. Providing aid for all transportation costs;
6. Adoption of a .1 weighting for students in approved bilingual education programs.

Goal: Simplification and Reduction of Paperwork

The State aid laws have become increasingly complex over the years as changes have been made in response to one or another pressure and as new demands have resulted in additions to an older framework.

Despite the complexity of need in a State as diverse as New York with seven hundred large and small school districts, an essential goal is to make the formulas governing the distribution of aid as simple as is consistent with justice.

There are important simplifications in the Regents proposals:

1. Use of the same pupil counts as in operating aid for building and BOCES aid;
2. Counting all pupils transported and all costs rather than "approved" pupils and "approved" costs;
3. Providing for parity in transportation aid;
4. Simplifying the method of counting pupils in active enrollment.

Goal: Establishment of Standards of Programs and Performance

The Regents Competency Testing Program is one facet of a comprehensive effort to ensure that all pupils acquire the competencies needed to be graduated from high schools. The plan of sequenced test administrations (Grades 3, 6, 8, 11) will enable school districts and the State Education Department to identify early those pupils whose performance is below standard, and who are likely not to be graduated from high school unless remedial action is taken to improve their performance. Department resources will be committed to enable Department staff to work with local school districts in strengthening remediation efforts.

The State Education Department objective is to ensure that changes are made to administrative, curricular, instructional, and evaluative practices in those school districts where large numbers of pupils do not meet standards for graduation, or where available evidence indicates large numbers will not meet these standards.

Department activity in support of this goal will be consistent with the more comprehensive aim that all pupils in New York State acquire basic competencies required for a high school diploma.

ESTABLISHMENT OF STANDARDS OF PROGRAMS AND PERFORMANCE

- Develop standards for various instructional programs at elementary, middle school, and senior high schools.
- Adopt standards of performance for pupil learning in the various instructional programs and subjects.

THE REGENTS PROGRAM IN DETAIL

Present Aid Ratio Formula

In 1978–79, State aid to public elementary and secondary education is distributed on the basis of a shared cost aid ratio formula. (This is sometimes referred to as a percentage equalizing formula or as a local guaranteed yield formula.) The formula is two tiered; that is, it has two ceilings each with a different sharing ratio.

Under the first tier, called basic equalization aid, the State supports 49 percent and the district 51 percent of the $1,450 per pupil ceiling in a district of average wealth. The State share is adjusted upward for poorer districts and downward for wealthier districts. Under the second tier, called supplementary equalization aid, the State supports 20 percent of the additional expenditures between $1,450 and $1,500 per pupil in a district of average wealth.

OPERATING AID FOR DISTRICTS SPENDING AT LEAST $1,500 PER PUPIL

District (1)	Pupils (2)	Wealth (Full Valuation Per Pupil) (3)	1978–79 Formula Aid (4)
A	1,000	$ 25,000	$1,171,350
B	1,000	59,000	720,500
C	1,000	101,000	360,000

New Formula

The proposal for operating aid for 1979–80 continues the two-tier formula at higher levels. The proposed first tier aid is based on expenditures up to $1,650 per pupil but not less than $1,500. Second tier aid supports additional expenditures up to $1,850 per pupil.

The sharing ratio for the first tier is reduced to 47 percent State and 53 percent local in a district of average wealth. The change in sharing favors the poorer districts as well as enabling the recommendation of a higher ceiling at a lower cost to the State. The sharing ratio for the second tier is unchanged.

New Procedure for Weighting and Counting Pupils

The Regents proposal would count pupils the same as in present operating aid law except that instead of using only average daily attendance, the pupil count would consist of 50 percent Average Daily Attendance and 50 percent Active Enrollment. The Regents recommended use of Active Enrollment in the pupil count because school districts must develop their budgets in terms of enrollments rather than attendance.

In a major simplification the same pupil count would be used for determining wealth in the building and BOCES aid formulas as is

now used in the operating aid formula. This will eliminate the need for keeping statistics on the present count.

Also, the proposal allows districts with declining enrollment to use a pupil count that is the average of 1977–78 and 1978–79 as a means of aiding them to make needed financial adjustments to enrollment decline. This method of cushioning the aid impact of declining enrollment by averaging is used in many states.

REGENTS PROPOSAL FOR CURRENT OPERATING AID FOR DISTRICTS SPENDING AT LEAST $1,850 PER PUPIL

	District A Low Wealth	District B Avg. Wealth	District C High Wealth
A. Wealth (Full Value/Pupil)	$30,000	$61,815	$120,000
B. Basic Equalization Aid Ratio = $1 - .53 \left(\frac{\text{District Wealth}}{\$61,815} \right)$	.743	.470	0*
C. First Tier Aid Per Pupil = $1,650 × Aid Ratio	$1,226	$775.50	$ 0
D. Second Tier Aid Ratio = $1 - .80 \left(\frac{\text{District Wealth}}{\$61,815} \right)$	.612	.200	0*
E. Supplementary Aid Per Pupil = ($1,850–1,650) × Aid Ratio	$ 122	$ 40	0
F. Total Operating Aid Per Pupil	$ 1,348	$815.50	$ 0

* Negative Aid Ratios count as zero aid ratios.

Gradual Elimination of Save Harmless Aid and Flat Grant

In the past, the State Legislature has eliminated the impact on aid of wealth gains or pupil losses by holding the district's State aid "save harmless." This means that a school district's State aid is held constant. The district is guaranteed that it will not receive less aid in the coming year than it did in a past year. Some districts are receiving the same amount of aid this year that they received 10 years ago despite the fact that they have gained greatly in wealth, lost a large part of their enrollment, or both. The Regents recommend that all save harmless aid be phased out over a 4-year period.

Under the present law, all districts are guaranteed aid of at least $360 per pupil. This is called flat grant aid. The Regents propose to eliminate flat grant aid over a 4-year period. Eliminating flat grant aid would result in a more equalizing aid formula, greater taxpayer equity, and reflect better a school district's ability to support public education.

With the flat grant eliminated, high wealth districts will continue to enjoy a tax advantage as compared to poor school districts but it will be based on their wealth only and not enhanced by State aid in excess of the amount determined by the formula.

LOCAL TAX RATES TO FUND AN $1,850 PROGRAM UNDER THIS PROPOSAL

District Wealth (Full Valuation Per Pupil)	Tax Rate Needed To Support $1,850 Per Pupil
$30,000	$16.70
45,000	16.70
60,000	16.70
75,000	16.70
90,000	16.40*
120,000	15.40*
140,000	13.20*

*Based on complete phaseout of Flat Grant

Aid for Bilingual Education

New York State has a large number of pupils requiring bilingual education. Such students who score low on the State Pupil Evaluation Program tests or who do not take the tests because of limited English ability are counted in present weightings for Pupils With Special Educational Needs. But bilingual classes normally require more than remedial attention and court cases such as Aspira in New York City and the recent decision in the Patchogue Medford case require the provision of an appropriate education. The following is taken from the Eastern District Court decision in that case.

The purpose of the statutes, i.e. Title VI, Section 204F of the Equal Educational Opportunity Act of 1974, the Bilingual Education Act of 1974, and the Civil Rights Act of 1971 as they relate to

bilingual education is to assure the language deficient child that he or she will be afforded the same opportunity to learn as that offered his or her English speaking counterpart. Taken, together, the statutes, and the legislative history, mandate teaching such children subject matter in their native tongue (when required) by competent teachers. Though not expressly provided by statute, the legislative history suggests that the program must also be bicultural as a psychological support to the subject matter instruction.

The proposed ten percent weighting for bilingual plus the present twenty-five percent weighting for Pupils With Special Educational Needs will supply the State share of the additional cost necessitated by the bilingual program.

Limitations on 1979–80 State Aid Increases and Decreases

As stated earlier, districts which will receive less State aid under the Regents proposal than under the current law will lose this aid gradually over a 4-year period. For districts with large increases in State aid, first year impact will be limited to the greater of $130 per pupil or 8 percent of approved operating expense. Such school districts need time to develop their local budgets so that increases in funds will be spent wisely and efficiently. Also, the Regents have affirmed that State aid to education must be within the State's economic resources. Limiting first year State aid increases will help to accomplish these goals.

Expenditure Cap

To insure property tax relief, increases in expenditure in 1979–80 will be limited to $130 per pupil.

The proposed $130 per pupil limitation on increases represents a different percentage increase at different levels of expenditure. It represents a 7 percent increase in a district spending $1,850 per pupil and, of course, a higher percent at lower levels (10 percent at $1,300) and a lower percent at higher levels (3½ percent at $3,700). Therefore, the limitation will be a factor in helping to bring expenditures closer together over a period of time.

Districts that exceed the allowable increases in spending would have their aid reduced in accordance with the following formula:

Aid Penalty	=	Increase Per Pupil in Excess of $130	×	Full Valuation	×	.000008

A simple way of describing this formula is to say that the aid penalty is the yield of a full value tax rate of .8 of one cent per $1,000 for each dollar by which the per pupil expenditure increase exceeds $130.

The penalty increases as the excess increases. The penalty in dollars per pupil is greater in high wealth districts but is the same tax rate in all. All districts which increase expenses over $130 per pupil would be penalized—whether or not the basic formula would give them aid increases.

The following table shows the impact of the expenditure cap by district wealth:

Wealth/TAPU	Allowable Increase Per TAPU	Aid Penalty Per Pupil Per $1 Excess	Tax Rate Equivalent of the Penalty
$ 20,000	$130	$ .16	.8¢ per $1,000
40,000	130	.32	.8¢ per $1,000
60,000	130	.48	.8¢ per $1,000
80,000	130	.64	.8¢ per $1,000
100,000	130	.80	.8¢ per $1,000
120,000	130	.96	.8¢ per $1,000
125,000 and up*	130	1.00	.8¢ per $1,000

*Penalty limited to 100% of the excess

The provision would be effective in 1979–80 but the penalty would not be imposed until 1980–81. To impose a penalty in 1979–80 on spending which will not be fully known and verifiable until after June 30, 1980, when the school fiscal year ends, could result in some awkward situations. Imposing the penalty in 1980–81 will enable the State to estimate it in budgeting. It also saves considerable reporting and paperwork since it eliminates the need to pay 1979–80 aid once based on budgeted expenditures but then to reaudit, recalculate and adjust it after the close of the school year.

In presenting their budgets to the public, school boards would be required to show the increase permitted without penalty under this provision. If their proposed increase exceeds the limit, they would also be required to show the amount of the aid penalty that would be incurred and the local tax rate increase due to the penalty.

A New Transportation Aid Formula

The present transportation aid formula has been criticized on many grounds, including the following. It treats contract transportation more generously than district owned. The flat 90 percent reimbursement provides little incentive to economy. The formula involves extensive complex recordkeeping. The formula does not equalize the costs of transportation among high and low wealth school districts.

Under the proposal, the first half of all transportation costs per weighted pupil would be aided at 90 percent in all districts. The remainder would be aided on an equalized formula with a 45 percent State share in a district of average wealth.

Transported pupils would be weighted as follows: for expenditures: over one and one-half miles, 1.0; handicapped, 6.0; within one and one-half miles, .25; for aid: the same except that pupils within one and one-half miles would be weighted at .15.

Comparisons between this two-tiered aid formula and present pupil transportation aid cannot be made simply. State aid for pupil transportation cannot precisely be determined without showing the total of transportation and operating aid since transportation costs qualify for operating aid in some districts. The new proposal would eliminate this overlap and make transportation costs eligible for transportation aid only. At the same time it would aid all transportation costs rather than only "approved" costs as at present.

The "Tax Exclusion" Cities

The Regents proposals do not include specific recommendations in regard to the important and pressing problem of the "tax exclusion" cities. It is impossible to know the size and extent of the problem in 1979–80 at this time, but it is very clear that there will be a considerable shortfall of funding in several of the cities, possibly as many as thirty.

The Regents will present recommendations when data are received from the Division of Equalization and Assessment as to the special equalization rates to be used for the 1979–80 year and when preliminary budgets have been drawn for the cities. In the meantime, Department staff will keep in close touch with the Governor's and legislative staff and with the cities involved to insure that all available information is shared.

INCREASED COSTS OF REGENTS PROPOSAL
(Millions)

	1979–80 School Year	Fiscal Year
Operating	$257.50	$ 64.37
Transportation	(15.60)	(3.90)
BOCES	(4.00)	(1.00)
Building	(2.50)	(.63)
Bilingual	11.20	2.80
TOTAL Increase	$246.60	$ 61.64
Total Aid Payable	$3,632.45	$3,431.36

SUMMARY

- A two-tier formula for operating aid, with $1,650 per pupil first ceiling and $1,850 for the second to replace the present ceilings of $1,450 and $1,500.
- Pupil count on the basis of 50 percent attendance and 50 percent Active Enrollment rather than 100 percent attendance.
- Pupil count on the basis of the choice of the greater of the 1978–79 count or the average of 1977–78 and 1978–79.
- A weighting of .1 for pupils in approved bilingual programs.
- Flat grant and save harmless eliminated over a four-year period.
- Operating aid increases limited to the greater of $130 per pupil or 8 percent of approved operating expense.
- Building and BOCES aid ratios computed on the same pupil count as used for operating aid.
- Transportation aid equalized on total transportation expense determined on a weighted per pupil basis.
- Parity in transportation expense provided for by including fringe benefits in both district-owned and contract transportation systems.
- Expenditure increase caps which if exceeded result in an aid penalty.